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FISCAL IMPACT STATEMENT

LS 6216

BILL NUMBER: HB 1019

NOTE PREPARED: Apr 28, 2003

BILL AMENDED: Apr 26, 2003

SUBJECT: Insurance Coverage for Inherited Metabolic Disease.

FIRST AUTHOR: Rep. Frenz

FIRST SPONSOR: Sen. Miller

BILL STATUS: Enrolled

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (CCR Amended) This bill requires the Commissioner of Insurance to establish a voluntary task force to review mandated benefits and proposed mandated benefits and report to the Legislative Council.

The bill requires a group accident and sickness insurance policy and a group health maintenance organization contract to provide coverage for medically necessary medical food prescribed for treatment of an inherited metabolic disease for a covered individual or an enrollee.

Effective Date: July 1, 2003; January 1, 2004.

Explanation of State Expenditures: This bill contains two provisions: (1) requires the Department of Insurance to establish a voluntary task force to review information concerning mandated health care benefits and report the findings to the Legislative Council; and (2) requires insurers to provide coverage for medically necessary medical food for the treatment of an inherited metabolic disease.

(1) Voluntary Task Force - The Department shall establish a nine-member task force to review mandated benefits and mandated benefit proposals. The task force is comprised of the Commissioner/commissioner's designee, and eight members from the private sector. The members serve on a voluntary, non-compensated basis. The Department shall provide administrative support for the task force. It is assumed that the Department can absorb the cost of providing administrative support given the current staffing and resources.

(2) The state employee health plan currently provides treatment coverage for phenylketonuria. However, this bill requires that an insurer or HMO provide coverage for medical food that is medically necessary and

prescribed by a covered individual's treating physician for treatment of the covered individual's inherited metabolic disease.

Four of the six state insurers responded that if the state provided this coverage that it would increase premiums, and two insurers did not respond to the request for information. The estimated premium increases range from \$0.02 per member per month to a 10% increase in the premium. However, given that the state self-insured plan administrator replied that the bill would result in a \$0.01 to \$0.03 per member per month increase in premium, the actual cost may be lower. If this increase were representative of actual claims experience for all plans, total additional cost for the state employee plan group could range from \$9,000 to \$26,000 per year. Actual cost may be higher or lower than this estimate based upon actual claims experience.

The state may choose to absorb any additional costs of these provisions or to pass these costs on to employees in the form of higher deductibles, higher premiums, or by limiting other conditions covered.

Background Information: The Department of Insurance currently reviews health insurance rate filings, including policies of accident and sickness insurance and health maintenance organizations. The Department of Insurance currently has one FTE dedicated to reviewing health insurance rate filings. The Department also contracts with actuarial consultants for review of filings.

Given the responses of three insurers, the 10% premium increase appears to be an outlier. However, it is unknown how this insurer will respond if the coverage is offered and accepted, thus a cost range is presented. There are approximately 170 individuals statewide with an inborn metabolic disorder.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill requires that an insurer or HMO provide coverage for medical food that is medically necessary and prescribed by a covered individual's treating physician for treatment of the covered individual's inherited metabolic disease. The cost to local governments will vary depending upon the structure of their health benefit packages. This coverage may already be included in some local government policies. Local governments that do not have this coverage may choose to pass the cost on to employees in the form of higher deductibles, higher premiums, or limiting other conditions covered. Cost sharing of health benefit premiums varies widely by locality.

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance, Potentially all.

Local Agencies Affected: Potentially all local units of government and local school corporations.

Information Sources: Keith Beesley, State Department of Personnel, 317-232-3062; Greg Thomas, Chief Deputy Commissioner, Department of Insurance, 317-232-2406.

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